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IN THE

Supreme Court of the United States

OCTOBER TERM, 1946

NO. 11.

ALMA MOTOR COMPANY, Petitioner,

v.

THE TIMKEN-DETROIT AXLE COMPANY,
Respondent,

UNITED STATES OF AMERICA, Intervenor.

MEMORANDUM IN REPLY TO BRIEF FOR THE UNITED STATES ON REARGUMENT.

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MEMORANDUM IN REPLY TO BRIEF FOR THE UNITED STATES ON REARGUMENT.

I.

The Constitutionality of the Royalty Adjustment Act Should Be Determined Now.

The Department of Justice contends that the constitutionality of the Royalty Adjustment Act should not be determined at the present stage of this proceeding. The basis for the contention is that "there are nonconstitutional issues undecided by the court below that may be completely dispositive of the case" (Brief for United States, p. 10).

It is curious that this position is taken on behalf of the Government.

In the motion by the United States in the Circuit Court of Appeals for leave to file a memorandum brief as *amicus curiae* the position of the Government was stated as follows (R. 97):

> "According to the allegations made by the plaintiff in this action, all the structures in question now being manufactured by the plaintiff are made solely for the United States. In these circumstances, it is believed that this appeal has been rendered presently moot by the issuance of the Royalty Adjustment Order under Public Law No. 768, since an 'actual controversy' does not now exist within the meaning of Section 400 of the Federal Declaratory Judgment Act.
>
> "It is therefore respectfully requested that this Court grant leave to the United States to file a memorandum brief as amicus curiae on the question as to whether or not the instant appeal is moot."

A similar position was taken by the Assistant Attorney General in his oral argument and that argument prevailed with the court, as is shown by the judgment (R. 129-130):

> "Paragraph 5 of the judgment entered by the District Court in this cause is vacated and the cause is remanded to the District Court with directions to proceed no further therein unless and until it shall appear to the Court that a justiciable controversy exists between the parties arising out of the facts set forth in the complaint, except that the Court may, if it deems such action to be appropriate, va-

cate all or any part of the remainder of the judgment and dismiss the complaint as moot."

This judgment was vigorously defended in the brief for the United States on the original argument (pp. 9, 14, 88-89). Why the about-face? An examination of the record shows no justification for it.

When the Royalty Adjustment Order here involved was issued, the District Court had already found in favor of the Alma Motor Company as to the T-32 and T-43 cases but had held that the T-79 cases were not covered by Alma's patent. The only appeal taken was Alma's appeal from the holding as to the T-79 cases. The Timken-Detroit Axle Company moved to dismiss the appeal, complaint, and counterclaim or to dismiss the appeal and remand the cause to the District Court, on the ground that Alma had "manufactured and sold transfer cases coming within the agreement of May 16, 1938 only to or for the use of the War Department and, therefore, cannot comply with both the judgment entered in this action and said Order; and that said Order issued under Public Law 768, by the terms of said law, transfers jurisdiction of this controversy to the Court of Claims and withdraws from this Honorable Court and the District Court for the District of Delaware their jurisdiction of this controversy under the agreement of May 16, 1938, by substituting an action under section 2 of said Public Law as the sole action on said agreement of May 16, 1938 and the controversy involved in this action" (R. 55). The Circuit Court of Appeals in its opinion said (R. 113):

"Since the transfer cases manufactured by Timken on which royalty payments are claimed were all made in fulfilment of a contract with the United

> States and since the War Department's order forbade Timken to pay any royalties thereon, it follows that if the statute applies and the order was made pursuant to it, the order in this appeal should be so framed as not to pass upon what has, by events since the original trial, become moot."

The court, in order to dispose of the motion, had to pass on the constitutionality of the statute and the validity of the order made under it. It sustained the constitutionality of the statute and the validity of the order and entered the judgment which the Government once defended and now claims to be erroneous as premature.

When the Circuit Court of Appeals was confronted with the motion by the respondent and the argument of the respondent and the Government that it should decline jurisdiction of the controversy on the ground that the issuance of the Royalty Adjustment Order terminated the "actual controversy" requisite for a proceeding under the Federal Declaratory Judgment Act, it did not have the supposed option of addressing itself to the coverage question on the T-79 cases or considering the constitutionality of the Act. Under a long line of cases it had to overrule the motion if it was to go into any question on the merits.

State of Rhode Island and Providence Plantations v. Commonwealth of Massachusetts, 12 Pet. 657, by Baldwin, J., at p. 718:

> " * * * The case is now before us for consideration, on a motion by the defendant, to dismiss the bill for want of jurisdiction in the cause.
>
> "However late this objection has been made, or may be made, in any cause, in an inferior or appellate court of the United States, it must be con-

sidered and decided, before any court can move one further step in the cause; as any movement is necessarily the exercise of jurisdiction."

McNulty v. Batty, 10 How. 71, by Nelson, J., at p. 79:

"In the case of the *United States v. Boisdore's Heirs* (8 How., 121), it is said, that, as this court can exercise no appellate power over cases, unless conferred upon it by act of Congress, if the act conferring the jurisdiction has expired, the jurisdiction ceases, although the appeal or writ of error be actually pending in the court at the time of the expiration of the act.

"The cases on this point are referred to in the brief in that case, and afford full authority for the principle, if any were needed."

Ex Parte McCardle, 7 Wall. 506, by Chase, C. J., at p. 512:

"The first question necessarily is that of jurisdiction; for, if the act of March, 1868, takes away the jurisdiction defined by the act of February, 1867, it is useless, if not improper, to enter into any discussion of other questions."

Mail Co. v. Flanders, 12 Wall. 130, by Clifford, J., at p. 135:

"Where the Circuit Court is without jurisdiction it is in general irregular to make any order in the cause except to dismiss the suit, but that rule does not apply to the action of the court in setting aside such orders as had been improperly made before the want of jurisdiction was discovered."

Mansfield, etc. Ry. Co. v. Swan, 111 U.S. 379, by Matthews, J., at p. 382:

> "The rule, springing from the nature and limits of the judicial power of the United States, is inflexible and without exception, which requires this court, of its own motion, to deny its own jurisdiction, and, in the exercise of its appellate power, that of all other courts of the United States, in all cases where such jurisdiction does not affirmatively appear in the record on which, in the exercise of that power, it is called to act. On every writ of error or appeal, the first and fundamental question is that of jurisdiction, first, of this court, and then of the court from which the record comes. This question the court is bound to ask and answer for itself, even when not otherwise suggested, and without respect to the relation of the parties to it."

(The Court then discusses ten of its earlier decisions, pp. 382-386.)

Smallwood v. Gallardo, 275 U.S. 56, by Holmes, J., at p. 62:

> "The sequence of the clause in the amendment after others giving authority to grant writs of habeas corpus and mandamus shows that it puts a limit to the power of the Court. See *Dodge v. Osborn,* 240 U.S. 118, 119. That is a question of construction and common sense. *Fauntleroy v. Lum,* 210 U.S. 230, 235. Therefore when the District Court required a deposit in the registry of a sum to secure payment of the tax in dispute, the money should be returned as there is no jurisdiction to dispose of it otherwise.

"Of course it does not matter that these cases had gone to a higher Court. When the root is cut the branches fall. *McNulty v. Batty,* 10 How. 72.

"As the bills were dismissed upon the merits (with partial injunctions in *Valdes v. Gallardo* and *Finlay, Waymouth & Lee, Inc. v. Gallardo*) the decrees should be reversed and the cases sent back with directions to dismiss for want of jurisdiction."

In urging that the case at bar be remanded to the Circuit Court of Appeals for determination of the question of coverage of the T-79 cases, the Government is maintaining that that Court should determine a question as to the merits of the dispute in advance of its determination as to jurisdiction. In effect, it would have the Court determine its jurisdiction by means of an inquiry into the merits, a procedure which was held to be erroneous and improper in *Smithers v. Smith,* 204 U.S. 632, where the Court said, in an opinion by Moody, J. (pp. 645-646):

"The error into which the judge in the court below has fallen is shown by an analysis of his findings. He did not find that the land which the plaintiff claimed to recover was not of a value in excess of $2,000, but that parts of that land, which each defendant claimed that the plaintiff ought only to recover against him, were each of less than the value of $2,000. As the plaintiff alleged and the defendants denied that the defendants jointly took and held his whole lot of land, the judge, on the conceded value of the plaintiff's land, in order to have arrived at the conclusion that the case should be dismissed, must have found that the defendants had not jointly taken and held the whole of the plaintiff's land. In doing this we think he exceeded

his authority under the statute, and in determining the jurisdiction, in effect, decided the controversy between the parties upon the merits. In deciding that the defendants had not acted jointly, as the plaintiff alleged and the defendants denied, he determined not a jurisdictional fact, but an essential element of the merits of the dispute upon which the parties were at issue.

* * * * * * *

"Because the Circuit Court erred in dismissing the case for want of jurisdiction, its action must be reversed."

If the Royalty Adjustment Act is constitutional, the issuance of the order under it in this case rendered moot the controversy between Alma and Timken, including the controversy as to whether the patent covered the T-79 transfer cases, since Section 1 of the Act provides: "The licensor shall not have any remedy by way of suit, set-off, or other legal action against the licensee for the payment of any additional royalty remaining unpaid, or damages for breach of contract or otherwise, but such licensor's sole and exclusive remedy, except as to the recovery of royalties fixed in said order, shall be as provided in section 2 hereof." If the Act is constitutional, the declaratory judgment proceeding would be concerned only with a hypothetical case. The court below accordingly was bound to consider the constitutionality of the Act, and if it found the Act constitutional, to declare a lack of jurisdiction in the declaratory judgment proceeding. Similarly, as to Alma's counterclaim for royalties, if the Act is constitutional, Alma has no remedy against Timken and there would be no actual controversy as to the counterclaim. So the first question which had to be decided by the court below, even on its

own motion, was whether the Act was constitutional. If it was, it would render the cause moot and put an end to jurisdiction in the action.

If there was no jurisdiction in the action, it should have been remanded to the District Court with a direction to dismiss the complaint and counterclaim. *Board of Public Utility Commissioners v. Compania General de Tabacos,* 249 U. S. 425, 426-427, and cases cited; *Commercial Cable Co. v. Burleson,* 250 U. S. 360, 362-363; *United States v. Alaska S. S. Co.,* 253 U. S. 113, 116; *Heitmuller v. Stokes,* 256 U. S. 359, 362-363; *Brownlow v. Schwartz,* 261 U. S. 216, 217-218; *Alejandrino v. Quezon,* 271 U. S. 528, 535-536; *United States v. United States Tariff Commission,* 274 U. S. 106, 112; *United States v. Anchor Coal Co.,* 279 U. S. 812, 812-813; *Securities & Exchange Commission v. Long Island Lighting Co.,* 325 U. S. 833.

If, in spite of the authorities above cited, this Court should determine to remand the case to the Circuit Court of Appeals to determine whether the T-79 cases are covered by the patent, the necessity of deciding the constitutional question would by no means be avoided. Even if that court should hold that the T-79 cases are not covered by the patent, the petitioner would still have a judgment, entered after the passage of the Royalty Adjustment Act, determining that the T-32 and T-43 cases are covered by the patent, and these cases as well as the T-79 cases were manufactured for and sold to the United States (R. 60, 113). How is the constitutional question to be avoided with regard to these cases?

Moreover, as the Court is well aware, the question as to the constitutionality of the Act is not confined to the present litigation. See *Coffman v. Federal Labora-*

tories, 323 U. S. 325, 327. It would seem appropriate, therefore, whatever the Court's view as to the judgment entered below, that it should proceed to determine the question as to the constitutionality of the Act of Congress, just as did the Circuit Court of Appeals. The Court took this course in *Wight v. Davidson,* 181 U. S. 371, where it appeared from the record that others than the parties were concerned in the question of the constitutionality of an Act of Congress.

It is hardly necessary to add that the Government's argument (pp. 18-20) that the nonconstitutional issue should be decided first because of petitioner's "claim to royalties on transfer cases that may be manufactured for private use" is merely specious. There is no such claim. The record is clear that all the transfer cases coming within the license agreement were manufactured and sold for the use of the War Department (R. 55, 113). The only way, therefore, in which the Court can finally determine the controversy is by deciding whether the Royalty Adjustment Act and the order made thereunder are constitutional.

II.

The Petitioner Is Entitled to Just Compensation for the Taking of Its Contract Right to Royalties Against the Respondent, Which Has Properly Been Held to Be Estopped from Challenging the Validity of the Petitioner's Patent.

In addition to the arguments that the Royalty Adjustment Act is valid under the federal power of eminent domain and that it is also sustainable as a price-fixing measure under the federal war powers, which were fully answered in our briefs on the first argument of the case, the Government advances the argument that "the Act, as applied here, merely abolishes *pro tanto* the rule estopping a licensee from challenging the validity of the licensor's patent" (Brief for the United States on Reargument, p. 31), relying on *Sola Electric Co. v. Jefferson Electric Co.*, 317 U. S. 173, and *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U. S. 249. In each of these cases the doctrine of estoppel to show that a patent was invalid was held to be inapplicable. There is nothing, however, in either of the cases to suggest that the estoppel of the licensee was not properly held by the District Court to exist in the case at bar (R. 34-36).

In the *Sola Electric Company* case the question for decision was "whether a patent licensee, by virtue of his license agreement, is estopped to challenge a price-fixing clause in the agreement by showing that the patent is invalid, and that the price restriction is accordingly unlawful because not protecied by the patent monopoly" (317 U. S. 173). The Court held (p. 177):

> "Local rules of estoppel which would fasten upon the public as well as the petitioner the burden

of an agreement in violation of the Sherman Act must yield to the Act's declaration that such agreements are unlawful, and to the public policy of the Act which in the public interest precludes the enforcement of such unlawful agreements."

But there was nothing unlawful in the agreement between the petitioner and the respondent in the case at bar, and the District Court rightly held the respondent to be estopped to show that the patent was invalid.

In the *Scott Paper Company* case the question was "whether the assignor of a patent is estopped by virtue of his assignment to defend a suit for infringement of the assigned patent on the ground that the alleged infringing device is that of a prior art, expired patent" (326 U. S. 250). The Court held "that the application of the doctrine of estoppel so as to foreclose the assignor of a patent from asserting the right to make use of the prior art invention of an expired patent, which anticipates that of the assigned patent, is inconsistent with the patent laws which dedicate to public use the invention of an expired patent" (pp. 257-258).

But the application of the doctrine of estoppel so as to foreclose the respondent from defending on the ground of invalidity of the patent here involved, where there was no question of an expired patent, is not inconsistent with the patent laws, as the District Court rightly held.

The Government asserts (p. 35) "that, even without the Act, the estoppel rule would yield to the outstanding public policy against saddling the public with royalty charges under worthless patents." But that there is no such "outstanding public policy" is demon-

strated by all the authorities. The estoppel of the licensee to contest the validity of a patent in a suit for royalties is well established as a term of the contract between the parties, and it is only when the enforcement of that contract would violate public policy that the licensee is not estopped. See *Kinsman v. Parkhurst,* 18 How. 289; *Eureka Co. v. Bailey Co.,* 11 Wall. 488; *United States v. Harvey Steel Co.,* 196 U. S. 310; *Walker on Patents,* Deller's ed., vol. 2, § 382; *Terrell on Patents,* 8th ed., pp. 259-261. When the United States takes by eminent domain the licensor's contract right to royalties, it must pay as just compensation the sum "which probably could have been obtained for an assignment of the contract" (*Brooks-Scanlon Corp. v. United States,* 265 U. S. 106, at pp. 123-124), and parties negotiating for such an assignment, of course, would take into account the estoppel of the licensee from disputing the validity of the patent.

In *Richmond Screw Anchor Co. v. United States,* 275 U. S. 331, it was held under the Act of 1910, as amended in 1918, when Congress exercised the power to take away the right of the owner of a patent to recover from a Government contractor for infringements, that Section 3477 of the Revised Statutes should not be held to avoid the assignment of the claim against the United States under that Act, since it would raise a serious question as to the constitutionality of the Act under the Fifth Amendment so to hold. The Court said, by Mr. Chief Justice Taft, at p. 345:

> "We must presume that Congress in the passage of the Act of 1918 intended to secure to the owner of the patent the exact equivalent of what it was taking away from him. It was taking away his as-

> signable claims against the contractor for the latter's infringement of his patent. The assignability of such claims was an important element in their value and a matter to be taken into account in providing for their just equivalent."

By a parity of reasoning the fact that the claim of a patentee against his licensee is not subject to the defense of invalidity of the patent is an important element in its value and a matter to be taken into account in providing its just equivalent.

The Government's brief (p. 34) refers to the Act of 1910, as amended in 1918, as if it enunciated a "public policy * * * that Government production shall not bear the cost of royalties under worthless patents." That Act did no such thing. It gave to a patent owner a right which he never possessed before, namely, a right of action against the Government to recover for its infringement of a patent. In permitting the Government to assert invalidity of the patent as a defense, the 1910 Act did not destroy any estoppel, because an infringer is not estopped to assert invalidity, never having made a contract by which he could be estopped.

Accordingly, we maintain, as we did in our original brief (pp. 5-32), that the Royalty Adjustment Act and the order made thereunder in this case violate the Fifth Amendment by taking property without just compensation, since Congress has refused to pay the value of the contract right to royalties which it has taken for the benefit of the United States, the value of that right being the amount which could be obtained for an assignment of it by an owner willing to sell it from a purchaser willing to buy it. *Brooks-Scanlon Corp. v. United States,*

265 U. S. 106, 121, 123-126; *Russian Volunteer Fleet v. United States*, 282 U. S. 481; *Jacobs v. United States*, 290 U. S. 13, 16-17; *United States v. Miller*, 317 U. S. 369, 373-374; *United States v. General Motors Corp.*, 323 U. S. 373, 377-379; and other cases cited at pp. 10-15 and p. 23 of our original brief.

III.

Counsel for the United States Should Not Be Permitted to Influence the Decision Here by Reference to Matters Not in the Record.

The brief for the United States on reargument many times (e.g., at pp. 25-26, 28-29, 30-31) attempts to influence the decision by reference to matters not in the record. In our reply brief for the appellant in *Coffman v. Breeze Corporations*, No. 71 October Term, 1944, and in our reply brief as *amici curiae* on the first argument of this case we called attention to the opinion of the Court, speaking by Mr. Justice Harlan, in *Schley v. Pullman Car Co.*, 120 U.S. 575, at p. 578:

> " * * * Notwithstanding the agreement, that the case should be heard in the court below upon the single question referred to in the stipulation, the counsel for the defendant in error states many things, which he declares to be 'incontrovertible facts,' and within the knowledge of opposing counsel, but which are wholly unsustained by anything in the record. The motion to strike out relates to those matters. The excuse given for this breach of professional propriety is 'the extreme brevity of the record.' But it is the same record upon which

> counsel for the company succeeded for his client, and which, by agreement, contained all that was to be submitted to the court. The excuse given furnishes no apology whatever for his violation of the terms of the stipulation, much less does it palliate his attempt to influence the decision here, by reference to matters not in the record, and which, he must have known, could not be taken into consideration. It is only necessary to say that the facts, *dehors* the record, which have been improperly introduced into the brief of the counsel for the defendant in error, have not in any degree influenced our determination of the case."

See also *Mitchel v. United States,* 9 Pet. 711, at p. 731; *Pacific R. R. of Missouri v. Ketchum,* 95 U.S. 1, at p. 3; *South Carolina v. Wesley,* 155 U.S. 542, at p. 544.

We respectfully refer the Court to what we said in our reply brief on the original argument (pp. 14-15), knowing that the allegations of facts *dehors* the record will not in any degree influence the Court's determination of the case.

We ask your Honors to note that of a part of the extraneous matter cited in the brief for the United States, the so-called "Joint Report by the War and Navy Departments Concerning the Relation of Patent Licenses and Royalties to War Procurement," the Secretary of War, in a letter of June 5, 1946, long after the first argument in this case, said: "The data used in the preparation of this report were originally compiled by the War and Navy Departments at the request of the Justice Department for use in connection with litigation then

pending." In footnote 1 to the report it is said: "Representatives of the War, Navy and Justice Departments, working together, then prepared a summary analyzing and discussing these data."

If we had worked with our client while this case was pending in this Court in preparing a summary analyzing and discussing data not in the record and had attempted to make use of the summary as a self-serving declaration in our brief, we should not expect the brief to be given any consideration.

It is irrelevant, in determining the justice of the cause between the petitioner and the Government, to show that hundreds of millions of dollars will be saved to the Government if the Act which takes the petitioner's royalties is sustained. The petitioner is either right or wrong, regardless of the estimated benefit to the United States. But if all the savings included in the Government's estimate of the results of the Act in anonymous cases, which we have no means of checking, should be covered into the Treasury of the United States by orders like that issued in the case at bar, would not the confiscation of the contract rights to these royalties be so apparent that the Court could have no doubt that just compensation for the taking of the rights had been denied? And if the royalties involved are of such magnitude, will not the Government obtain all the money that it needs, and in fairness can collect, by the income and profits taxes on these royalties, leaving to the licensors the benefit of the remnants of their honest earnings after the taxes thereon have been paid? So would Congress "promote the progress of science and useful

arts" in fields of interest to the Government by securing to inventors an inducement to their continued activity in those fields.

Respectfully submitted,

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SUPREME COURT OF THE UNITED STATES

No. 11.—October Term, 1946.

Alma Motor Company, Petitioner, v. The Timken-Detroit Axle Company and the United States of America, Respondents.	On Writ of Certiorari to the United States Circuit Court of Appeals for the Third Circuit.

[December 9, 1946.]

The Chief Justice delivered the opinion of the Court.

Certiorari was granted in this case February 5, 1945, on a petition addressed to the question of the constitutionality of the Royalty Adjustment Act of October 31, 1942,[1] and of Royalty Adjustment Order No. W–3, issued by the War Department July 28, 1943. We find now, however, that the Circuit Court of Appeals had before it, not only the constitutional question, which was decided, but also a non-constitutional question, which might properly have alone served as an adequate ground on which to dispose of the appeal. This non-constitutional question was neither considered nor decided by the court below, nor argued here. We have concluded, therefore, that we should not pass on the constitutional question at this time, but should vacate the judgment of the Circuit Court of Appeals, and remand the case to it for decision of any non-constitutional issues material to the appeal.

To explain the reasons for this conclusion, we must state the history of the present proceedings in some detail.

They were begun by a complaint in a District Court filed by respondent, The Timken-Detroit Axle Company, against petitioner, Alma Motor Company, asking a declaratory judgment as to their respective rights under a patent held by Alma and a coextensive license from Alma

[1] 56 Stat. 1013, 35 U. S. C. Supp. V, §§ 89–96.

to Timken. The complaint alleged the existence of the patent, purporting to cover certain "transfer cases", or auxiliary automotive transmissions, and the license, by which Timken was authorized to manufacture the patented articles and required to pay certain specified royalties. It further alleged that Timken was engaged in manufacturing various designs of transfer cases, that some of these were once believed to have been covered by Alma's patent and had been made the subject of royalty payments, but on the basis of later information Timken had concluded that none of them were covered, and that the patent was invalid. It asked for a judgment confirming this conclusion.

Alma answered, claiming that all Timken's transfer cases were covered, that the patent was valid, and that Timken was estopped from challenging validity, and counterclaimed for a money judgment for unpaid royalties.

Following a trial, the District Court filed findings and an opinion,[2] and entered judgment December 2, 1942. It held Timken estopped from challenging the validity of Alma's patent; that certain specified types of Timken's transfer cases (generally those denominated T–32 and T–43) were covered by the patent and license; that Timken was indebted to Alma for royalties thereon; and that other types (generally those denominated T–79), were outside the patent and license. The court indicated that unless the parties could agree on the amount of the royalties so held to be payable, a special master would be appointed to determine the amount.

Shortly before this judgment was entered, Congress enacted the Royalty Adjustment Act, which Alma seeks to attack here. The primary purpose of this Act was to reduce royalties for which the United States was ulti-

[2] *Timken-Detroit Axle Co.* v. *Alma Motor Co.*, 47 F. Supp. 582 (D. Del. 1942).

mately liable on inventions manufactured for it by a licensee, from pre-war rates to rates appropriate to the volume of production in war-time. Whenever during the war a government contractor manufactured under a license, and the royalties seemed excessive to the head of the department concerned, the latter was empowered to stop payments by notice to the licensor and licensee, and after a hearing, to fix by order "fair and just" royalties, "taking into account the conditions of war-time production."[3] Thereafter, the licensor could collect royalties from the licensee only at the rate so determined. If the licensor felt that the reduction was unfair, his remedy was by suit against the United States in the Court of Claims, where he could recover "fair and just compensation . . . taking into account the conditions of war-time production."[4] Whatever reduction was effected by the order was to inure to the benefit of the United States.

The notice, stopping payment of royalties from Timken to Alma, was issued by the War Department December 30, 1942. Royalty Adjustment Order No. W–3 followed on July 28, 1943, fixing a "fair and just" royalty at zero. The basis of this determination was the alleged invalidity of Alma's patent, which the United States claims that the Act permits it to assert.[5]

In the meantime, Alma had taken an appeal from Paragraph 5 of the judgment of the District Court, which held that the T–79 transfer cases were outside the patent. Timken did not appeal. After the Order was promulgated, Timken moved to dismiss the appeal and remand to the District Court with directions to vacate its judgment. The motion was predicated on an affidavit that Timken had manufactured transfer cases for the United States alone, together with the argument that the operation of the Act

[3] 35 U. S. C. Supp. V, § 89.
[4] 35 U. S. C. Supp. V, § 90.
[5] 35 U. S. C. Supp. V, § 90.

and Order transferred jurisdiction of the subject matter of the entire case to the Court of Claims. Alma countered with an attack on the constitutionality of the Act and Order, primarily as working a deprivation of property in contravention of the Fifth Amendment.

The United States had at this time already submitted an *amicus* brief, in which it argued that the Order had made the appeal moot; and when Alma's constitutional attack was filed, the United States intervened in support of the Act and Order.

In its opinion [6] the Circuit Court of Appeals considered that the question of the applicability of the Act and Order in this case was simply a question of their constitutional validity. It proceeded to consider this latter question, and decided that both the Act and the Order were entirely valid. Accordingly, it entered the following order:

> ". . . it is now here ordered and adjudged by this Court that Paragraph 5 of the judgment of the said District Court in this case be, and the same is hereby vacated and the cause is remanded to the District Court with directions to proceed no further therein unless and until it shall appear to the Court that a justicable controversy again [7] exists between the parties arising out of the facts set forth in the complaint, except that the Court may, if it deems such action to be appropriate, vacate all or any part of the remainder of the judgment and dismiss the complaint as moot."

The War Department notice was issued after the District Court's judgment, but before appeal was filed in the Circuit Court of Appeals. It appears that at no time did any party urge on the Circuit Court of Appeals or did that court pass on the question whether the T–79 transfer cases were covered by Alma's patent and license. Indeed, it

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[6] *Timken-Detroit Axle Co.* v. *Alma Motor Co.* (United States, Intervenor), 144 F. (2d) 714 (CCA 3, 1944).

[7] The word "again" was deleted by an order of October 2, 1944.

was not until after we had granted certiorari and heard argument at the October 1944 term on the constitutional question, and set the case down for further argument this term, that the United States pointed to this omission, and suggested that the Circuit Court of Appeals should have avoided the question of constitutionality by first considering the question of coverage. It argued here that the prior determination of any non-constitutional questions which might dispose of a controversy is a practice which is dictated by sound principles of judicial administration. It moved to vacate the judgment of the Circuit Court of Appeals, and to remand the case to it for such determination. Both Alma and Timken opposed the motion. Action was withheld pending argument on the motion and the case itself.

This Court has said repeatedly that it ought not pass on the constitutionality of an act of Congress unless such adjudication is unavoidable. This is true even though the question is properly presented by the record. If two questions are raised, one of non-constitutional and the other of constitutional nature, and a decision of the non-constitutional question would make unnecessary a decision of the constitutional question, the former will be decided.[8] This same rule should guide the lower courts as well as this one. We believe that the structure of the problems before the Circuit Court of Appeals required the application of the rule to this case.

At the outset that court was confronted with the merits of the appeal, which involved simply the coverage by the patent and license of the T–79 transfer cases. Later, however, it was confronted also with a problem of jurisdictional nature. This involved the effect wrought by the Act and

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[8] *Siler* v. *Louisville & Nashville R. Co.*, 213 U. S. 175, 193; *Light* v. *United States*, 220 U. S. 523, 538; *Spector Motor Co.* v. *McLaughlin*, 323 U. S. 101, 105. See Brandeis, J., concurring in *Ashwander* v. *Tennessee Valley Authority*, 297 U. S. 288, 347.

Order on its power to proceed to an adjudication on the merits. If for any reason, the Act and Order had no applicability in the case, the court should proceed to the merits. If, however, they were controlling, Alma was relegated to its statutory remedy against the United States, and the court would be required to dismiss the appeal, and to vacate Paragraph 5 of the judgment in the District Court.

In the determination of this jurisdictional problem, we are of the opinion that the Circuit Court of Appeals erred. It assumed that this problem involved only the question of the constitutionality of the Act and Order. But the Act and Order, whether or not constitutional, do not control the disposition of this case unless they were intended to apply to it. The question of their applicability is a non-constitutional question, the decision of which might have made unnecessary any consideration of constitutionality.

Were the Act and Order intended to apply? Their terms seem to make that depend upon whether the subject-matter of the appeal—the T–79 transfer cases—were covered by the patent and license. The Act provides that it is only "whenever an invention . . . shall be manufactured . . . for the United States, *with license from the owner thereof* . . ." and the department head believes the stipulated royalties to be unreasonable, that the latter shall give "written notice of such fact to the licensor and licensee." It is only after such notice that the department head may fix "fair and just" royalties, and only "such licensee" who is forbidden to pay additional amounts as royalties, and only "such licensor" who is relegated to the Court of Claims.[9] Conversely, if the putative invention is manufactured without license, or if the putative patentee is not actually the owner, these powers and disabilities do not arise. Even Order No. W–3 does not refer to T–79 trans-

[9] 35 U. S. C. Supp. V, § 89.

fer cases as such. It forbids the payment of royalties only on transfer cases "under" this license, or any license pursuant to this patent "which embody . . . the . . . alleged inventions." Again, if the T–79s are not "under" the Alma-Timken license, or if they do not "embody" Alma's patented claim, then the Order expressly leaves Alma's and Timken's rights and remedies unaffected.

Consequently, coverage of the T–79s, as well as constitutionality of the Act and Order, was a crucial issue in deciding the jurisdiction of the Circuit Court of Appeals. If they are covered, the Act and Order apply, and it was then necessary to decide constitutionality in order to determine whether the court could proceed to a judgment on the merits. If the T–79s are not covered, the Act and Order manifestly do not apply, and the court could proceed to a judgment on the merits, whether the Act and Order are constitutional or not. In that event, of course, no constitutional question would be decided.

The Circuit Court of Appeals may have thought that the applicability of the Act and Order turn not on actual coverage, but on a claim of coverage, and hence that applicability was undisputed and only constitutionality was pertinent to jurisdiction in this case. Such construction is said to have some support in cases like *Smithers* v. *Smith*, 204 U. S. 632, and *Bell* v. *Hood*, 328 U. S. —, in which bona fide claims of rights were held to satisfy jurisdictional requirements as to the amount in controversy and as to the existence of a certain federal question, regardless of whether such claims would ultimately be established.

The answer to this argument is that the statutory language [10] which controlled the cited cases expressly refers to the claim as the test of jurisdiction, whereas, as we have

[10] "The district courts shall have original jurisdiction . . . where the *matter in controversy* exceeds . . . the sum or value of $3,000 and (a) arises under the constitution or laws of the United States. . . ." 28 U. S. C. § 41.

shown, the instant Act refers to the objective event. Furthermore, the test in t' *Smithers* and *Bell* cases, *supra*, is a condition prece to the exercise of jurisdiction. Unless such exer e is made to turn on what the plaintiff rather than what the court says is at stake, the court's jurisdictional ruling will often deny the plaintiff a forum when a full hearing might later have shown a right to relief. The test in this case, on the other hand, is a condition subsequent, in certain instances depriving the court of jurisdiction, and the same danger is not present.

Timken contends that the jurisdiction of all suits with respect to inventions manufactured for the United States in war-time is transferred to the Court of Claims, and that the coverage question is immaterial. It argues that where the Royalty Adjustment Act does not accomplish this transfer because the manufacture is not by a licensee, the Act of June 25, 1910, as amended,[11] should apply, and that it has the same effect. It is said, therefore, that the case should have been dismissed whether there was coverage or not, and that the Circuit Court of Appeals properly refrained from deciding that question.

Assuming the premise is correct, we do not reach the same conclusion. Dismissal can be ordered under the 1910 Act, if it applies, without deciding any constitutional questions, for that Act has already been before this Court and been approved.[12] To order dismissal under the 1942 Act,

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[11] Act of June 25, 1910, as amended by the Act of July 1, 1918, 36 Stat. 851, 40 Stat. 705, 35 U. S. C. § 68, provides in part: "Whenever an invention described in and covered by a patent of the United States shall hereafter be used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, such owner's remedy shall be by suit against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture. . . ."

[12] *Crozier* v. *Krupp*, 224 U. S. 290; *Richmond Screw Anchor Co.* v. *United States*, 275 U. S. 331.

however, or under one of the two Acts alternatively, requires a determination of the constitutionality of the latter. As we have already indicated, this is sufficient reason for first deciding which Act impels the transfer.

It is true that § 2 of the Royalty Adjustment Act provides that if the licensor sues in the Court of Claims the United States "may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement as set forth in title sixty of the Revised Statutes, or otherwise." [13] We deem it clear that such defenses would include questions of coverage as well as validity of a patent. But we do not think that § 2 reflects a decision by Congress that all suits involving licenses under the Act and presenting questions of coverage or validity should be tried in the Court of Claims. As respects the problem with which we are now concerned, § 2 does no more than to make available such defenses in the Court of Claims whenever the suits authorized by the Act are brought there.

Both Alma and Timken maintain that the constitutional question could not be avoided by the Circuit Court of Appeals, because the T–32 and T–43 transfer cases were covered, if the T–79s were not, and were therefore necessarily subject to the Order. Indeed, the District Court decided that they were covered, and Timken did not appeal.

This point carries its own refutation. Neither party appealed from the adjudication as to the T–32 and T–43 transfer cases. No claim as to them was before the Circuit Court of Appeals. There is no claim now that a litigant may not appeal from part of a judgment, or that an

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[13] Section 2 provides in full:

"Any licensor aggrieved by an order issued pursuant to section 1 hereof, fixing and specifying the maximum rates or amounts of royalties under a license issued by him, may institute suit against the United States in the Court of Claims, or in the District Courts of the

appeal from part brings up the whole."[14] The Circuit Court of Appeals was not properly concerned with their coverage, or with the applicability to them of the Act or Order. Therefore, the part of its order affecting T–32s and T–43s was unwarranted, and should not now be made the basis for approving a constitutional decision which was otherwise unnecessary.

Alma objects strenuously to the Government "mending its hold" between the time it urged dismissal in an *amicus* brief in the Circuit Court of Appeals and argued constitutionality there and here, and the time it filed here its motion to vacate and remand. The Government certainly aided and abetted the Circuit Court of Appeals in its error. But Alma is not without fault in creating the confusion. In its "Petition to Review" the Order, Alma asked the Circuit Court of Appeals to hold the Order unconstitutional. In its petition to the Circuit Court of Appeals for rehearing, it argued that the court should not have passed on constitutionality because Timken had not charged any royalties to the United States on T–79s, and the Act and Order were allegedly inapplicable. Before this Court it has returned to its original position.

We agree that much time has been wasted by the earlier failure of the parties to indicate, or the Circuit Court of

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United States insofar as such courts may have concurrent jurisdiction with the Court of Claims, to recover such sum, if any, as when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale, or other disposition of the licensed invention for the United States, taking into account the conditions of wartime production. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement as set forth in title sixty of the Revised Statutes, or otherwise."

[14] Rule 73 (b) of the Federal Rules of Civil Procedure provides that the "notice of appeal . . . shall designate the judgment or part thereof appealed from. . . ."

Appeals or this Court to see, the course which should have been followed. This, however, is no reason to continue now on the wrong course. The principle of avoiding constitutional questions is one which was conceived out of considerations of sound judicial administration. It is a traditional policy of our courts.[15]

The judgment is vacated and the case remanded for further proceedings in conformity with this opinion.

[15] *Charles River Bridge* v. *Warren Bridge*, 11 Pet. 425, 553 (1837).